GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:545
ANSWERED ON:18.11.2016
Public Debt Management Cell
Gopal Dr. K.;Thakur Shri Anurag Singh

Will the Minister of FINANCE be pleased to state:

545. SHRI ANURAG SINGH THAKUR:
DR. K. GOPAL:

Will the Minister of FINANCE be please to state:

a. whether the Government has set up a Public Debt Management Cell (PDMC), if so, the details and salient features thereof;
b. whether the debt management functions of the Reserve Bank of India (RBI) would now be performed by this cell, if so, the details thereof; and
c. whether PDMC would be upgraded to a statutory body in about two years and if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ARJUN RAM MEGHWAL)

(a) to (c) Yes, the Government has set up a PDMC. The notification for setting up of PDMC was issued vide Budget Division OM F.No.1/1/2010 MO (Vol.II) dated October 4, 2016 (copy enclosed). The details and salient features are as given under:
i. The Public Debt Management Cell (PDMC) has been set up in Budget Division, Department of Economic Affairs (DEA), Ministry of Finance (MoF), as an interim arrangement before setting up an independent and statutory debt management agency, namely Public Debt Management Agency (PDMA) of India, in due course.
ii. This interim arrangement will allow separation of debt management functions from RBI to PDMA in a gradual and seamless manner, without causing market disruptions.
iii. The PDMC will have only advisory functions to avoid any conflict with the statutory functions of RBI. It will have following functionalities:
a. Plan borrowings of GoI, including market borrowings, other domestic borrowing activities of GoI through specific products, including Sovereign Gold Bond issuance.
b. Manage Central Government liabilities, including Internal Debt, Guarantee proposals and Contingent Liabilities, and National Small Saving Fund.
c. Monitor cash balances of the Government, improve cash forecasting and promote efficient cash management practices.
d. Foster a liquid and efficient market for Government securities.
e. Analyse and advise concerned Divisions of DEA on the proposals of External borrowing as regards cost, tenure, currency, hedging requirements, etc. and monitor development in foreign exchange markets. External borrowing proposals would, however, continue to be negotiated by MI and BC Divisions and AAA Division will continue to provide requisite back office support.
f. Develop an Integrated Debt Database Management system (IDMS) as a Centralised data base for all liabilities of GoI, on a near real time basis.
g. Advise on matters related to Investment, Capital Market operations, Guarantee proposals, administration of interest rates on Small savings, and various loans and advances given by GoI.
h. Undertake requisite market interface with various stakeholders, including Government departments, Central Bank, investors, primary dealers, financial market regulators, market participants, etc. to carry out assigned functions efficiently.
i. Undertake such research work, including those relating to new products development, market development, risk management, debt sustainability assessment, and other debt management functions, as and when required by Ministry of Finance.
j. Undertake requisite preparatory work for PDMA. The Joint Secretary (Budget), Department of Economic Affairs, Ministry of Finance would be the overall in-charge of the PDMC.
iv. The transition process from PDMC to PDMA would be implemented by a Joint Implementation Committee (JIC) to be chaired by JS (Budget), with members from Government and RBI. JIC would operate under the supervision of the Monitoring Group on Cash and Debt Management (MGCDM) with Secretary, Economic Affairs and DG, RBI as Co- chairpersons. The MGCDM would act as a coordinating platform in the interim arrangement to ensure smooth conduct of fiscal, monetary and liquidity management, along with debt management.

As mentioned in (a) to (c) (iii) above, PDMC will have only advisory function to avoid any conflict with statutory debt management functions of RBI. Thus, RBI will continue to perform its statutory function relating to debt management.

PDMC is expected to be upgraded to a statutory body (PDMA) in about 2 years. The transition process from PDMC to PDMA would be implemented by a Joint Implementation Committee (JIC) to be chaired by JS (Budget), with members from Government and RBI. JIC would operate under the supervision of the Monitoring Group on Cash and Debt Management (MGCDM) with Secretary, Economic Affairs and DG, RBI as Co- chairpersons.